

# YTM Capital Credit Opportunities Fund



## Strategy

Long / short hedge fund delivering Canadian investment grade credit exposure



## Target

Long-term net returns of 6% - 8% with low volatility



## Portfolio

Short maturity investment grade credit with neutralized interest rate risk

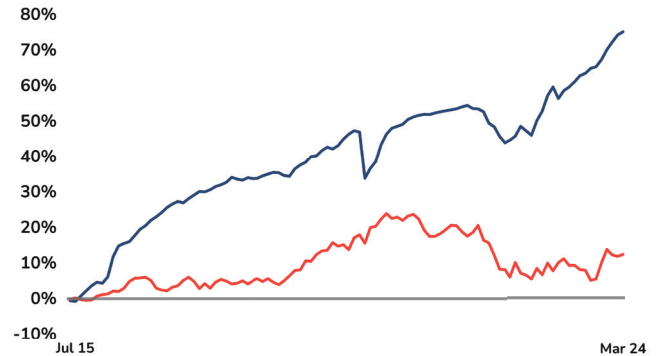


## Uncorrelated

Compelling fixed-income alternative

## Net Performance

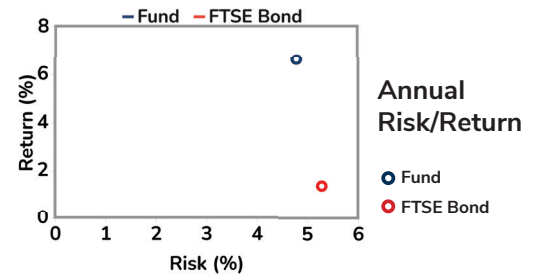
	1 month	1 year	3 year	5 year	S.I.
Fund	0.52%	11.98%	4.86%	4.82%	6.63%
FTSE Bond	0.49%	2.09%	-1.51%	0.28%	1.34%



## Risk

LOW	MEDIUM	HIGH
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CR01 as a percent of NAV	0.059%	Months Positive	75%
Average Weighted Maturity	1.6 years	Best Month	5.33%
Modified Duration	0.29	Worst Month	-8.89%
Annualized Standard Deviation	4.8%	Maximum Drawdown	-9.18%
Sharpe Ratio	1.06	Upside Capture - FTSE Bond	61
Correlation to FTSE Bond	0.24	Downside Capture - FTSE Bond	-26



## Portfolio Manager Commentary

Daniel Child CA, CPA, CFA

Edward Winiarz CFA

March saw the end of the significant tightening of credit spreads that has persisted over the last four months. The Canadian market was wider by a relatively small one basis point. The widening was at least partially due to the large new issuance calendar clocking in at over \$12 billion for the month. March was the third straight month of at least \$11 billion and puts the year to date total 60% higher than 2023. For comparison, the US market is only 26% ahead of last year. Bank issuance was notable in an absolute sense, since it goes against the recent trend of issuing in foreign markets that offer cheaper funding, but also in structure. We saw NVCC sub-debt for the first time in a while and a pair of 3NC2 structures that are rare, but we find particularly attractive in a fixed-to-floating format.

There are strong, fact-based arguments supporting both no 2024 recession, as well as a recession hitting later in 2024. This conflicting evidence has increased the risk of disappointing returns in traditional/long-only fixed income funds, as volatility in the rates market remains. We have been vocal about this issue since the rate rally started in the latter part of 2023. Regardless of one's view on escaping a recession, or the severity of it the important expectation is our continuing belief that rates will stay higher for longer. We finally saw a capitulation in the rates market as economic numbers, particularly non-farm payrolls, came in stronger than expected. These results changed the view of proponents that expected rate cuts coming in Q1 and early Q2. The market is now pricing the odds of a Fed rate cut in June at less than 50%, down from 100% earlier in March.

With our view unchanged on rates and the greater probability of a shallow recession than no recession, we continue to run risk levels that are 50%-60% of our historical average and prioritize short maturity, high quality liquid bonds. This positioning will allow us to redeploy capital at more attractive levels in the future. Canadian IG credit remains cheap to both \$US credit and the credit default market, and more importantly, financials and short maturity bonds are cheaper than the broader \$C IG market and are both sectors we favour.



# Portfolio Managers



## Seasoned

More than 41 combined years of portfolio management and fixed-income experience



## Accomplished

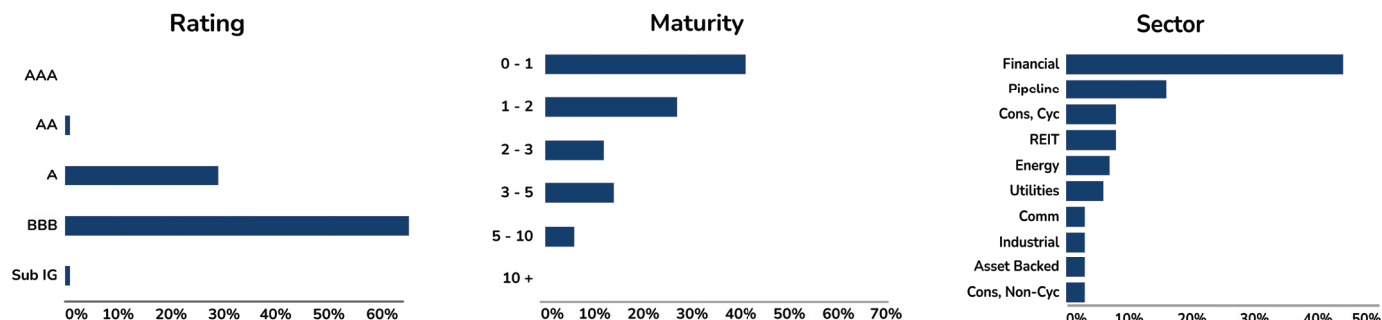
Head Corporate Trader and Director at major Canadian dealers responsible for billions of at-risk capital



## Conservative

Focused on downside protection, putting capital preservation first while delivering strong risk-adjusted returns

# Portfolio



# Monthly Net Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2024	1.25	1.15	0.52										2.96
2023	2.84	1.55	-2.03	1.41	0.67	0.89	1.07	0.41	0.85	0.28	1.19	1.68	11.28
2022	-0.54	-2.09	-0.68	-1.83	-1.22	0.52	0.78	1.91	-0.85	-0.85	2.80	1.79	-0.40
2021	0.30	0.18	-0.05	0.29	0.22	0.18	0.18	0.20	0.34	0.27	-0.55	-0.09	1.48
2020	0.69	-0.29	-8.89	2.07	1.43	3.47	2.08	1.14	0.36	0.38	0.92	0.47	3.33
2019	1.55	0.82	0.55	1.18	0.17	1.04	0.69	-0.36	0.66	0.42	0.87	0.95	8.86
2018	1.06	-0.37	-0.23	0.53	-0.16	0.07	0.47	0.38	0.39	-0.09	-0.58	-0.16	1.32
2017	1.14	0.84	0.52	-0.28	0.94	0.77	0.74	-0.09	0.44	0.73	0.41	0.46	6.82
2016	-0.30	1.74	5.33	2.66	0.64	0.38	1.50	1.54	0.84	1.25	0.79	0.94	18.62
2015							-0.43	-0.13	1.52	1.44	1.41	0.96	4.84

# Fund Details

<b>Transactions</b>	Monthly	<b>Distributions</b>	Monthly (5%/yr target; TA,TF) Quarterly (A,F)
<b>Redemptions</b>	30 days notice	<b>Reg Plans</b>	Yes
<b>Management fee</b>	2.00% (A, TA) 1.50% (F, TF)	<b>Fundserv</b>	YTM500 (A) YTM530 (TA) YTM510 (F) YTM540 (TF)
<b>Performance fee</b>	15%, Highwater Mark		

# YTM Capital

YTM is a credit fund manager established in 2010. We have more than \$600 million in assets under management and are based in Oakville, Ontario.

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**As of MARCH 31, 2024. FTSE Bond** = FTSE Canada Universe Bond Index. CR01 measures the impact on a Fund's value by a 1 basis point change in credit spreads. Sharpe Ratio is calculated using a 3 month GOC T-Bill as the risk free rate. Drawdown represents the percentage loss for the Fund from peak to trough. In risk/return chart, risk is represented by standard deviation since inception ("SI" = July 1, 2015) and returns are SI. The Canadian Hedge Fund Awards are administered by Alternative IQ. The awards are based on a quantitative measure of a fund's performance in the Credit Focused category. Of the 33 funds considered, the Fund had the 3rd highest return for the year ending June 30, 2016. Of the 27 funds considered, the Fund had the 3rd highest Sharpe ratio for the 3 years ending June 30, 2019. Of the 18 funds considered, the Fund had the 2nd highest Sharpe ratio and 2nd highest return for the 5 years ending June 30, 2020. This document is for information only and is not intended to solicit orders for the Fund. Investors should read the Offering Memorandum (OM), including the risk section before investing. You can obtain the OM from YTM Capital Asset Management Ltd. Fund data will change and past performance may not be repeated. There is no guarantee the Fund will provide returns similar to its target. Performance is net of fees and expenses, is for Class F, Initial Series, distributions reinvested, and the SI figure is annualized. Rating and maturity information exclude cash and GOC securities. YTM rates unrated securities by using third party data and judgment. Maturity and CR01 are calculated using the expected maturity date for securities with call features. [www.ytmcapital.com](http://www.ytmcapital.com)

